Export of Software

3714. SHRI K. M. KHAN: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government have taken all the necessary steps to boost up the export of software;

(b) if so, the details thereof alongwith the achievements made in this regard during the last three years, till date, year-wise; and

(c) what are the projections being made by Government in this direction for the coming years?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) and (b) The Government has taken a number of steps to boost the export of software. The details of the steps taken and the achievements made during the last three years (year-wise) are given in Statement-I. (*See* below)

(c) Government has projected an export target of US$50 billion worth of software export to be achieved by the year 2008, out of an estimated production of US$87 billion. The details are given in Statement-II.

Statement-I

Steps taken to boost the export of Software during the last three years

- Information Technology Software was exempted from Customs Duty *vide* Ministry of Finance (Department of Revenue) *Notification No.* 46/98 *dated* 16.7.98.
- The donation of computers, imported duty free by EOU/EPZ/ STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc. two years after their use by the said units was permitted *vide* Ministry of Finance *Notification No.* 47/98 *customs dated* 16.7.98.
- Manufacturers-importers of Electronics goods having investment of Rs. 3 crores and above and units in EPZs/EHTP and STP are

eligible for fast-track clearance of goods imported by them *vide* Ministry of Finance (CBEC) *Circular* No. 56/98 *dated* 3.8.98.

- A special stock option scheme for Indian Software Companies linked with ADR/GDR offering by these companies, as an instrument to enable these companies to provide incentives to retain their highly skilled professionals, was notified *vide* Reserve Bank of India (RBI) A.D.(M.A.) *Circular No. 25 dated* 7.8.98.
- RBI has framed Guidelines dated 8.8.98 for sanction of working capital finance to information technology and software industry.
- The Depreciation on Computers has been allowed @ 60%, *vide* Ministry of Finance (CBEC) *Notification No. S.O.* 781(E) *dated* 4.9.98.
- The second-hand computers and computer peripherals donated by an outside donor to Government schools have been exempted from customs duties, *vide* Ministry of Finance *Notification No.* 18/99 *Customs dated* 11.2.98.
- Benefit of Section 80 HHE extended to supporting software developers (*Budget* 1999-2000).
- Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data (*Budget* 1999-2000).
- Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector (*Budget* 1999-2000).
- Computer systems have been made freely importable *w.e.f.* 1.4.99.
- Provision for issue of Sweat Equity by companies has been introduced in the *Companies (Amendment) Act,* 1999.
- Software Technology Parks of India have set up a Business Support Centre in the United States in November, 1999 to promote software exports from STP units.
- A National Venture Fund for Software and IT Industry (NFSIT) was set up in December, 1999 with a corpus of Rs. 100 crores,

out of which contribution of Ministry of Information Technology is Rs. 30 crores.

- Foreign investment of upto 100% is permitted in units set up solely for exports on automatic route, including Software Technology Park (STP) units, *vide* Ministry of Industry, Department of Industrial Policy and Promotion *Press Note No.* 2 (2000 Series) dated 11.2.2000.
- Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty *w.e.f.* 1.4.2000. Units in electronics and software sectors have option to apply for EPCG Licence to the competent authority on the basis of self-declaration regarding the nexus between the CG to be imported with the items to be exported.
- In 2000-01 *Budget,* Customs duty on Computers and Peripherals has been reduced from 20% to 15%. The Customs duty on all storage devices, integrated circuits, microprocessors, Data display tubes and Deflection components of colour monitors has been reduced to NIL rate.
- EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010 in terms of Section 10A and 10B of the Income Tax Act (*Budget* 2000-01).
- Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income (*Budget* 2000-01).
- To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds (*Budget* 2000-01)
- Employees Stock Option Plans (ESOP) shall be taxed @ 10% at the time of their sale only. The capital gains tax would be

applicable on the difference between the sale price and the issue price (*Budget* 2000-01)

- Information Technology Act, 2000 has been enacted. This act deal with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.

- Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTP) enhanced in the EXIM Policy applicable *w.e.f.* 1.4.2000. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.

- There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income (*Budget* 2000-01). VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India (*Budget* 2001-02).

- Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the (*Budget* 2001-02).

- Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers (*Budget* 2001-02).

- Two-way fungibility has been permited for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps (*Budget* 2000-01)

Software Export 1997-98 to 2001-2002

Year	1997-98	1988-99	1999-2000	2000-01 (Esti-mated)
Rs.CR	6800.00	12500.00	17300.00	27500.00
US$MLN.	1813.00	3012.00	4023.00	5978.00
Average Exchange Rate 1 US$=	37.50	41.50	43.00	46.00

Statement-II

Opportunities by the Year 2008

Software Sector

	Total Market	Exports
IT Services	$38.5 billion	$23 billion
Software Products	$19.5 billion	$8 billion
IT Enabled Services	$19.0 billion	$15 billion
E-business	$10.0 billion	$4 billion
TOTAL	$87.0 billion	$50 billion

IT in Northern States

†3715. SHRI JANESHWAR MISHRA: Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that the Northern States have been lagging behind the Southern States in the field of Information Technology;

†Original notice of the question was received in Hindi.